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Report Highlights:

Reflecting the ongoing cost-price squeeze and weak returns, Canadian red meat production is forecast to fall by an estimated 1.5% in 2008 and an additional drop of 3.0% is forecast by the end of 2009. Cattle and hog inventories showed significant declines of 4.3% and 11.6% respectively at mid-2008 compared to a year earlier. A cost-price squeeze has adversely impacted the profitability of livestock production and about one in twelve cattle producers and one in five pig producers have exited the business. These developments point not only to lower red meat production through 2009 but also to lower exports of live cattle and hogs to the United States. Total Canadian pork exports remain steady but Canadian beef exports are struggling to recover to a pre-BSE level. Ironically, red meat imports from the United States are increasing at a record pace reflecting a strong Canadian dollar and high demand among the Canadian retail and foodservice industries for U.S. red meats.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Ottawa [CA1]
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THIS REPORT DOES NOT CONTAIN OFFICIAL USDA DATA**Executive Summary**

Canada's cattle industry has worked its way out of the inventory surge caused by the bovine spongiform encephalopathy (BSE) related trade disruption but still faces challenges. Five years after the first BSE trade disruption, Canada's beef exports remain sluggish compared to their pre-BSE period. At the mid-point of 2008, there are considerably fewer cattle on fewer cattle farms reflecting reduced profitability as relatively weak market returns are insufficient to cover rising input costs. Year-end inventory is projected at 13.5 million head at the end of 2008, down slightly from 13.9 million head the year before. A further decline to 13.25 million head at the end of 2009 is forecast. The inventory decline combined with weak market prices are reflected in a recent report published by Statistics Canada's that showed total farm cash receipts from livestock operations during the first six months of 2008 falling below crop receipts for the first time in 12 years.

For hogs, the industry continues its transition. The cost-price squeeze in the Canadian hog industry that has worsened over the past two years has resulted in a near record hog inventory drop and a dramatic loss in the number of hog farms in Canada. According to Statistics Canada, total Canadian hog numbers in 2008 showed the sharpest inventory decline in three decades while almost one in five hog farmers exited the industry in the past year alone. The policy response by the Government of Canada (GOC) to the distressed hog industry includes provision of cash advances to cushion cash flow issues of the producers as well as a sow cull incentive program. By mid-July 2008, the sow herd had been culled by 7% thus approaching the ultimate goal of a 10% reduction.

Ironically, as financial hardship impacts Canadian cattle and hog producers, the stronger Canadian dollar has attracted increased imports of U.S. red meats by Canada's retail and foodservice sectors.

USDA's interim final rule for Mandatory Country of Origin Labeling (COOL) is scheduled to come into effect on September 30, 2008. The initial reaction of Canada's cattle and hog industries is that the flexibility of the COOL label categories will make the measure less onerous than initially perceived. Martin Rice, Executive Director of the Canadian Pork Council recently said, "As a result of the changes the made to the U.S. farm bill this year the record keeping requirements are much less onerous than what would have been the case under the 2002 farm bill." In addition, recent reports that a coalition of U.S. livestock industry organizations has developed a unified approach to COOL compliance has encouraged Canada's livestock industries. North American meat industry news services recently reported that 30 U.S. meat industry groups met and agreed on universal language (on COOL documents required) to facilitate how livestock origin documentation will move along the ownership chain in order to ensure that the meat covered by COOL is accurately labeled at the retail level.

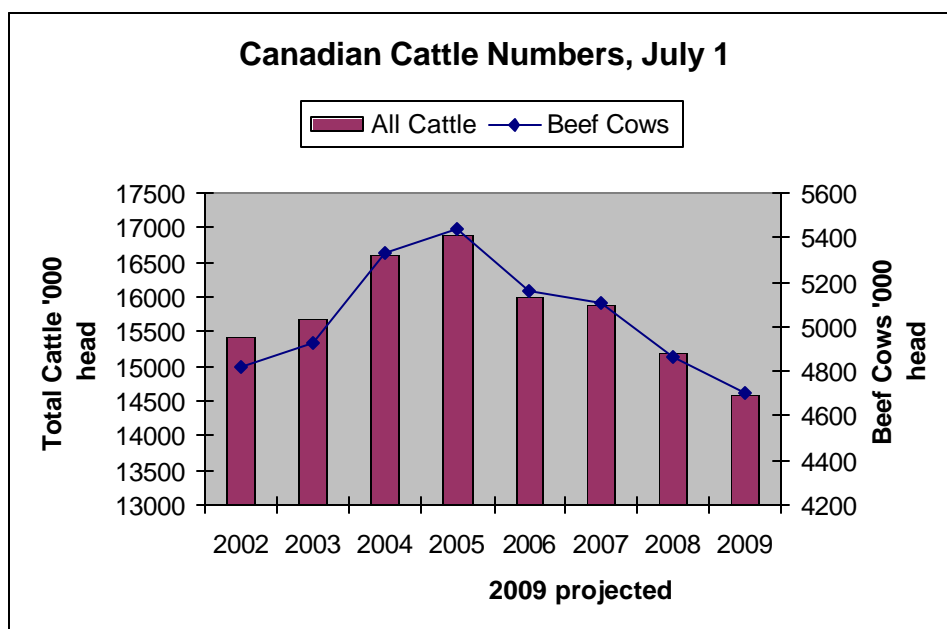
The GOC official comments on COOL indicate several concerns including the possibility that the new rules may disadvantage imported product. The GOC indicated they perceive a lack of clarity in the display/segregation requirements at the retail level. The GOC will monitor closely and consider all options if COOL adversely impacts Canada.

Section I. Cattle and Beef

Cattle Herd Continues to Decline

Cattle Herd

The market and trade disruption associated with the detection of bovine spongiform encephalopathy (BSE) in Alberta in May 2003 resulted in a forced retention of the Canadian cattle herd which peaked in mid-2005. Since that time, Canadian cattle numbers have declined steadily reflecting fewer breeding cattle on fewer cattle farms. In mid-August 2008, Statistics Canada published the latest cattle inventory for July 1, 2008. The data show the total cattle and calf inventory fell to 15.2 million head, a decline of 4.3% compared to one year ago. The beef cow inventory on July 1, 2008 was down 4.7% from a year ago, while the number of beef heifers for breeding and replacement were down 2% from July 1 a year ago. The number of cattle on feed operations declined 12.3% since last summer reflecting the strong increase in coarse grain prices. Over the past two years, the number of farms reporting cattle has stabilized at about 107,000 operations following a loss of 8,500 cattle farms the previous year. The total herd size at the mid-point of 2008 is slightly below the pre-BSE level. Based on present domestic market and trade prospects, Post forecasts the cattle herd to continue to decline into 2009, albeit at a lesser rate, and then stabilizing by 2010.



Supply and Distribution: Cattle and Beef & Veal

CATTLE; Canada, Supply & Distribution			
Units: '000 head			
NOT OFFICIAL USDA DATA			
	<u>2007</u>	<u>2008</u>	<u>2009</u>
		<u>forecast</u>	<u>projection</u>
Total Cattle Beg. Stks	14,155	13,895	13,500
Dairy Cows Beg. Stocks	995	985	980
Beef Cows Beg. Stocks	5,020	4,982	4,935
Production (Calf Crop)	5,541	5,450	5,400
Other Imports	54	50	50
Total Imports	54	50	50
Total Supply	19,750	19,395	18,950
Other Exports	1,412	1,500	1,300
Total Exports	1,412	1,500	1,300
Cow Slaughter	705	750	700
Calf Slaughter	340	340	350
Other Slaughter	2,776	2,695	2,750
Total Slaughter	3,821	3,785	3,800
Loss	622	610	600
Ending Inventories	13,895	13,500	13,250
Total Distribution	19,750	19,395	18,950

BEEF & VEAL; Canada, Supply & Distribution			
Units: '000 MT			
NOT OFFICIAL USDA DATA			
	<u>2007</u>	<u>2008</u>	<u>2009</u>
		<u>forecast</u>	<u>projection</u>
Slaughter ('000 hd)	3,821	3,785	3,800
Beginning Stocks	50	45	40
Production	1,279	1,270	1,250
Other Imports	242	260	265
Total Imports	242	260	265
Total Supply	1,571	1,575	1,555
Other Exports	457	465	470
Total Exports	457	465	470
Dom. Consumption	1,069	1,070	1,050
Total Dom Consump	1,069	1,070	1,050
Ending Stocks	45	40	35
Total Distribution	1,571	1,575	1,555

Beef and Veal Consumption

In 2007, per capita beef consumption reached 31.68 kilograms carcass weight basis, a 2.8% increase from 30.81 kilograms in 2006 and the first annual increase since 2003, the year of the first detection of BSE in Canada. Beef consumption increased moderately in 2003 after the BSE-related market disruption resulted in additional beef supplies on the Canadian market at reduced prices. For 2008, the prospect for increased beef supplies due to rising imports is expected to keep per capita beef consumption at 2007 levels despite fractionally lower Canadian beef and veal production.

Detections of BSE in Canada (14 cases since May 2003) have not caused concern among Canadian consumers who have shown a high degree of confidence in the country's food inspection system. Canada's cattle industry and Canadian food safety officials have been successful in reassuring beef consumers that the human health risk associated with BSE is extremely small and that Canada's feed ban policies and BSE surveillance program help mitigate the health risk to the food supply.

The promotion of beef in Canada falls to the Beef Information Centre (BIC) which is the beef market development division of the Canadian Cattlemen's Association. BIC is governed by a committee of elected cattle producers. It has offices in eastern and western Canada to deliver BIC programs in Canada and the United States to processors, retailers, and the foodservice industry. A U.S. market development team is solely focused on the U.S. to maximize marketing opportunities under the Canadian Beef Advantage banner. Canada's international marketing efforts for beef are carried out by the Canadian Beef Export Federation (CBEF). The CBEF is funded jointly by government and industry and is comprised of beef packers, processors, exporters, and key industry suppliers. Promotional activities are focused in Japan, South Korea, Taiwan, Hong Kong, China, and Mexico.

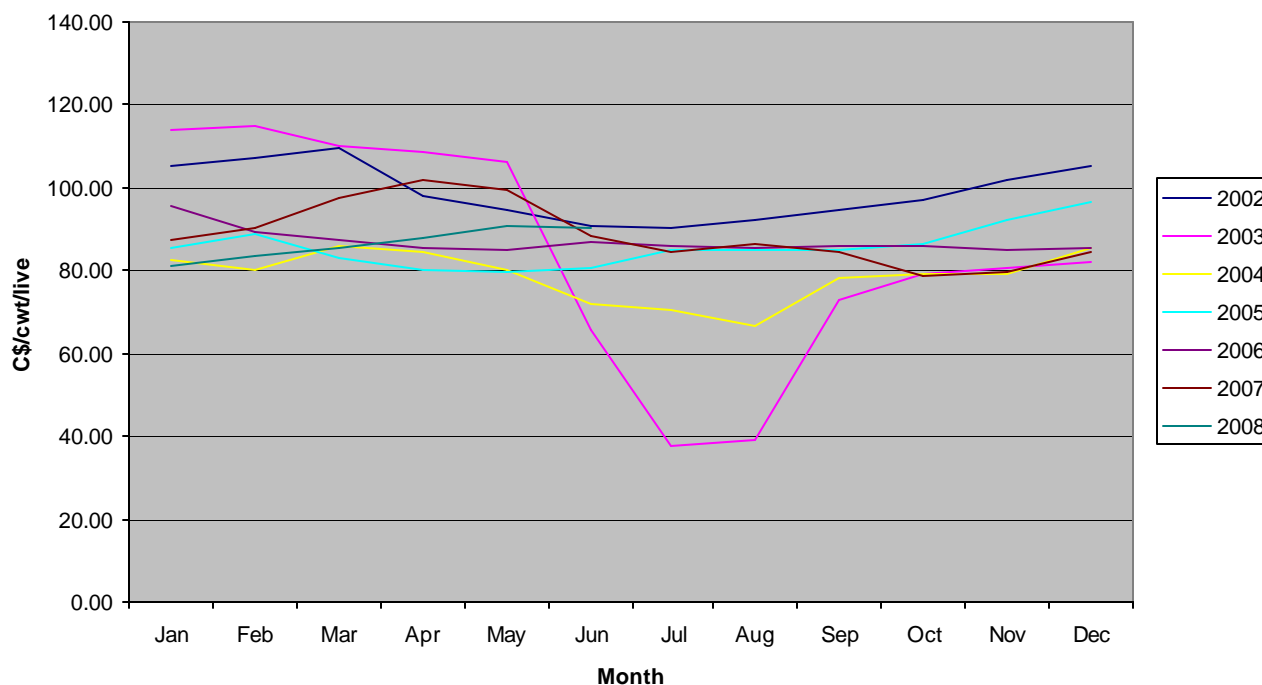
Canadian Per Capita Beef & Veal Consumption							
Units: kg per person; carcass weight							
Year	2002	2003	2004	2005	2006	2007	2008
							forecast
kg	31.73	33.58	32.03	31.12	30.81	31.68	31.65
Source: StatsCan & Post Forecast							

Cattle Market Prices

Cattle market prices at mid-2008 strengthened since the beginning of the year and recent weekly prices in late August and early September 2008 are moderately above last year's level. As illustrated below, prices remain well below pre-BSE levels but many producers are optimistic that lower Canadian cattle inventories will lead to stronger market prices for the remainder of 2008 and into 2009. In addition, there are recent reports that unfavorable weather during the western Canadian grain harvest is increasing the volume of crops being downgraded to feed for quality reasons, which is putting downward pressure on feed grain prices. This is leading to renewed optimism among cattle producers looking for an improvement in profitability.

Alberta Fed Steer Prices													
monthly averages													
C\$/cwt/live													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2002	105.08	107.10	109.62	98.19	94.77	90.73	90.11	92.43	94.57	97.23	101.69	105.05	98.88
2003	114.17	115.13	110.29	108.55	106.31	65.44	37.80	39.02	73.09	79.07	80.45	82.06	84.28
2004	82.36	80.03	85.81	84.25	80.03	71.73	70.64	66.69	78.39	79.12	79.18	85.32	78.40
2005	85.26	88.68	83.19	80.14	79.54	80.42	84.77	85.03	85.19	86.57	91.98	96.42	85.62
2006	95.39	89.32	87.51	85.22	85.03	86.92	85.84	85.23	86.01	85.69	84.97	85.68	89.60
2007	87.60	90.19	97.59	101.87	99.67	88.21	84.39	86.52	84.36	78.55	79.46	84.33	88.56
2008	81.27	83.42	85.29	87.93	90.86	90.18							

Alberta Fed Steer Prices
monthly averages



Trade

Beef and Veal Imports

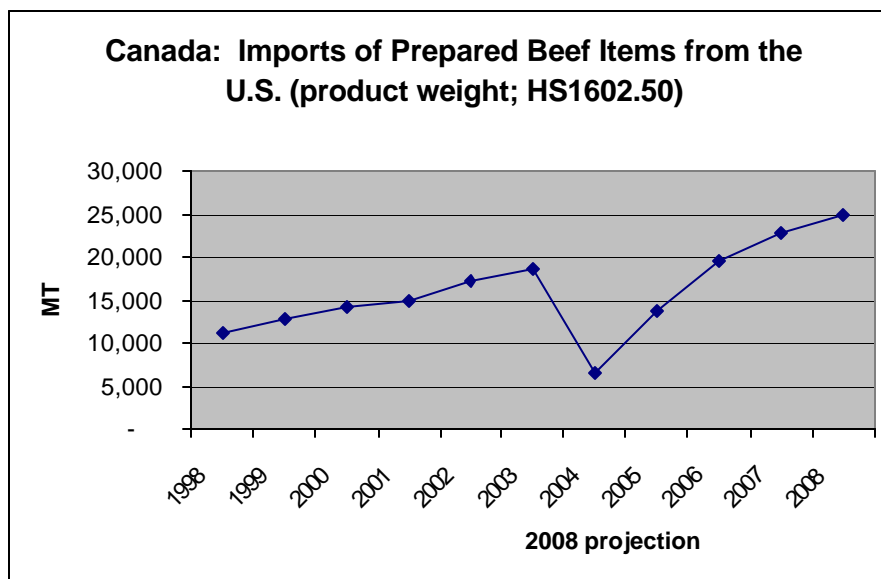
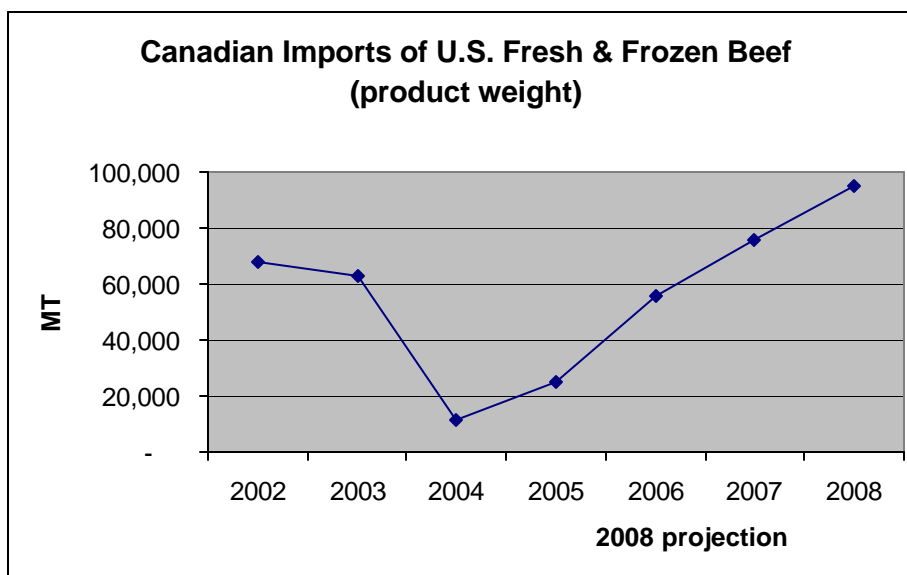
Total Canadian imports of beef and veal, carcass weight basis, have advanced strongly during the first half of 2008 and are expected to reach an estimated 260,000 MT for the year, almost 7.5% above the 2007 level of 242,000 MT. Beef and veal import data on the accompanying PS&D are comprised of fresh and frozen beef and veal and prepared and/or preserved beef and veal, converted to carcass weight equivalents.

Canada operates a tariff rate quota (TRQ) on beef but it does not apply to imports from the United States, Mexico, and Chile under free trade agreement provisions. The global minimum access commitment for beef and veal is 76,409 MT within which there are two country-specific reserves: 29,600 MT reserved for imports from New Zealand and 35,000 MT reserved for imports from Australia. The balance of the TRQ, 11,809 MT (known as the MFN reserve), is reserved for imports from all other eligible suppliers, including those from New Zealand and Australia once their country-specific allocations are filled. Beef imported in excess of the minimum access commitment incur the higher "over access commitment" rate of 26.5%. For the purpose of administering the beef and veal TRQ, the quota year is the calendar year. Following the detection of BSE in Alberta in 2003, the GOC moved to restrict the issuances of supplementary beef imports from non-NAFTA suppliers because of beef surpluses in Canada. As a result, imports from these suppliers have been lower since that time.

Canadian imports of beef from the United States, comprised roughly of 80% fresh and frozen and 20% prepared (i.e., luncheon meats, sausage, other prepared beef) have risen steadily in the post-BSE era for a number of reasons. Stronger demand for U.S. beef in Canada is related to the changes in the slaughter and beef marketing pattern in Canada that was profoundly disrupted by BSE. Also, the stronger Canadian dollar has increased the purchasing power of Canada's HRI sector, which prefers high quality U.S. beef (especially the higher end restaurant and hotels in Ontario). Fed slaughter has trended lower in Canada and there is anecdotal evidence that the major foodservice companies are importing more U.S. beef. Additionally, imports of U.S. ready-to-eat and prepared beef items continue to increase strongly and have doubled in the past ten years reflecting a growing demand for prepackaged and prepared beef by U.S.-based grocery superstores that have significantly increased their retail store presence in Canada in recent years.

Canada: Fresh & Frozen Beef & Veal Imports									
Quantity in Metric Tons, Product Weight									
							Jan. - June		% Chng
	2002	2003	2004	2005	2006	2007	2007	2008	08/07
The World	215,974	188,169	75,203	82,608	98,357	135,802	61,420	67,126	9.3%
United States	67,565	63,104	11,758	25,156	55,773	76,032	29,950	46,779	56.2%
New Zealand	55,115	45,888	30,420	29,973	25,952	25,393	14,925	12,648	-15.3%
Uruguay	32	39,391	24,742	19,299	6,875	22,722	13,623	4,445	-67.4%
Australia	93,227	39,762	8,226	8,137	9,757	11,615	2,922	3,233	10.6%
Import Market Shares									
United States	31%	34%	16%	30%	57%	56%	49%	70%	
New Zealand	26%	24%	40%	36%	26%	19%	24%	19%	
Uruguay	0%	21%	33%	23%	7%	17%	22%	7%	
Australia	43%	21%	11%	10%	10%	9%	5%	5%	
	100%	100%	100%	100%	100%	100%	100%	100%	

As shown in the table above, Canadian imports of fresh and frozen beef and veal from the United States during 2007 (76,032 MT, product weight) surpassed their pre-BSE level (67,565 MT). The development is significant in that it occurred during a period of near-record cattle slaughter in Canada due to the BSE-related backlog in Canadian cattle numbers. As mentioned above, there is continued strong demand for U.S. beef in Canada in 2008. In the first six months of 2008, imports of fresh and frozen beef from the United States reached 46,779 MT, 56% higher than during that period a year ago and on pace to reach beyond 90,000 MT for the year. The trend is expected to continue into 2009 as Canada's cattle herd and slaughter levels continue to contract and if the Canadian dollar remains strong.



Beef and Veal Exports; Live Cattle Trade and MRR2

Canadian beef exports have not recovered to their pre-BSE level. In 2007, Canadian fresh and frozen beef and veal exports totaled 323,757 MT product weight, 30% below the 462,155 MT exported during 2002, which was the last full calendar year of beef trade unaffected by the first detection of BSE in Canada in May 2003. The decline of Canadian beef export trade since BSE has been shared relatively equally between lower exports to the United States and to the rest of the world. The U.S. share of total Canadian beef exports has remained relatively constant, 83.5% during 2007 versus 82.7% of total in 2002. Among former major destinations that currently accept Canadian beef, Japan has proven to be the slowest export market to recover. Canadian beef exports to Japan in 2007 were only 25% of their pre-BSE level reflecting increased competition and the stronger Canadian dollar. Although Canada was categorized by the World Organization for Animal Health (OIE) in May 2007 as a Controlled Risk Country for BSE, many trading partners continue to maintain partial or complete bans on Canadian beef, mostly notably, South Korea which was the fourth most important export market for Canadian beef in 2002. Although Canadian beef producers were hopeful that recently gained U.S. access to South Korea's beef market would bode well for Canada, the optimism was overtaken by events that included public riots over the South Korean government's recent decision to allow U.S. beef. As a result of the political sensitivity of the issue surrounding the return of U.S. beef to South Korea, CFIA officials claim there is little enthusiasm by South Korea to hammer out a beef deal with Canada. It appears unlikely that Canadian efforts to reestablish beef market access in South Korea will regain any momentum until late 2008 at the earliest.

As shown on the table below, Canadian beef exports rose a modest 1.4% during the first six months of 2008 compared to the same period a year ago mostly due to increased exports to Mexico and the Philippines. Total Canadian beef exports to the United States in the January-June period of 2008 were 1.5% lower than the previous year. In November 2007 USDA implemented Minimal Risk Rule 2, which resulted in renewed access for Canadian "over thirty month" (OTM) cattle (i.e., born after March 1, 1999) and for OTM beef. There has been no spike in Canadian exports of OTM beef to the United States as some industry observers had anticipated but there has been renewed demand among U.S. packers for live Canadian OTM slaughter cows during the first half of 2008, marking a return closer to the pre-BSE pattern when Canada was regularly exporting about 250,000 mature slaughter cows annually to the United States.

For 2009, supplies of Canadian beef for export are expected to be tighter reflecting the general decline in the cattle inventory, the lower number of finished cattle, and increased exports of live cattle, both for slaughter and for feeding, to the United States. Any increase in Canadian beef exports is more likely to come from Canadian efforts to regain access to lost international beef markets rather than from increased exports to the United States.

USDA's interim final rule for Mandatory Country of Origin Labeling, is scheduled to come into effect on September 30, 2008. Current beef industry reaction in Canada is that U.S. meat processors and retailers will have some flexibility under the COOL label categories and that the measure may not be as onerous as initially perceived. Ultimately, it will be U.S. packer and retailers that determine how easily they can incorporate Canadian origin live animals and beef into their compliance requirements with COOL. The current mood suggests that mandatory COOL will not have a significant impact on the level of imports from Canada but that associated COOL compliance costs in the United States could be reflected in price offerings for Canadian origin product.

Canada: Exports of Fresh & Frozen Beef & Veal						
Units: MT Product Weight						
HS codes: 0201, 0202						
	January - December			Jan. - June		% Change
Country	2005	2006	2007	2007	2008	- 08/07 -
-- The World --	423,407	337,931	323,757	172,307	174,663	1.4%
United States	366,678	287,516	270,186	145,765	143,529	-1.5%
Mexico	40,804	32,584	33,809	16,763	18,266	9.0%
Hong Kong	9,308	7,940	7,833	4,880	3,219	-34.0%
Macau	4,674	5,669	5,862	2,737	2,886	5.4%
Japan	5	2,187	3,292	1,252	1,300	3.9%
Philippines	148	248	262	134	2,785	1974.1%
All Others	1,790	1,787	2,513	775	2,678	245.5%
Source: World Trade Atlas						

Policy

Canada Confirms 14th Case of BSE

On August 15, 2008, the Canadian Food Inspection Agency (CFIA) confirmed bovine spongiform encephalopathy (BSE) in a six-year-old beef cow from Alberta. It was the 10th case in the province of Alberta. Three were in British Columbia and one was in Manitoba. Concerning the recent finding, the animal's birth farm has been identified, and an investigation is underway. The CFIA is tracing the animal's herd mates and examining possible sources of infection. According to the CFIA, the age and location of the infected animal are consistent with previous cases detected in Canada. The case was detected through the Canada's BSE surveillance program and the CFIA said that no part of the animal's carcass entered the human food or animal feed systems. Canada is a Controlled Risk country for BSE, a designation it received in May 2007 by the World Organization for Animal Health (OIE). The finding of this latest case was not expected to affect exports of Canadian cattle or beef but Mexico took immediate action against imports of breeding cattle from Canada (see next heading).

Mexico Bans Alberta Breeding Cattle

Mexico has banned imports of Alberta breeding cattle following Canada's announcement of its [14th case of bovine spongiform encephalopathy](#) (BSE) in mid-August 2008. Canada only regained access to the Mexican bovine breeding market in February 2008 and a spokesperson for Canada's cattle industry expressed disappointment with the action by the NAFTA partner. Mexican authorities are reportedly describing their action as a temporary measure pending a risk assessment. Canadian and Mexican officials have initiated technical discussions. Prior to its first case of BSE in May 2003, Canada exported a few hundred head of bovine breeding animals annually to Mexico. The U.S. market for Canadian breeding cattle, born after March 1, 1999, opened in November 2007 under implementation of USDA's Minimal Risk Rule 2. According to official Canadian trade statistics, Canada exported 12,615 head of breeding cattle to the United States during the first six months of 2008, valued at \$19 million.

Feed Ban Policy Too Strict Say Cattlemen

Canada's cattle industry is lobbying the Canadian government to ease the feed ban rules imposed last year and harmonize with U.S. feed ban rules. In July 2007 Canada implemented its enhanced feed ban rules that ban BSE specified risk materials, commonly known as SRMs, from animal feed, pet food and fertilizers. These materials had been banned from cattle feed since 1997. SRM and dead cattle must also be disposed of under strict rules. The beef industry alleges that Canada's SRM policy imposes about C\$39 per head in extra costs on Canadian packing plants, which makes them uncompetitive with their U.S. counterparts and it blames the recent closure of meat processing plants on Canada's stricter rules than the U.S. rules scheduled to go into effect in 2009.

Note: Reports on other policy and economic developments relating to Canada's cattle industry may be found in the list at the end of this report.

Section II. Hogs and Pork

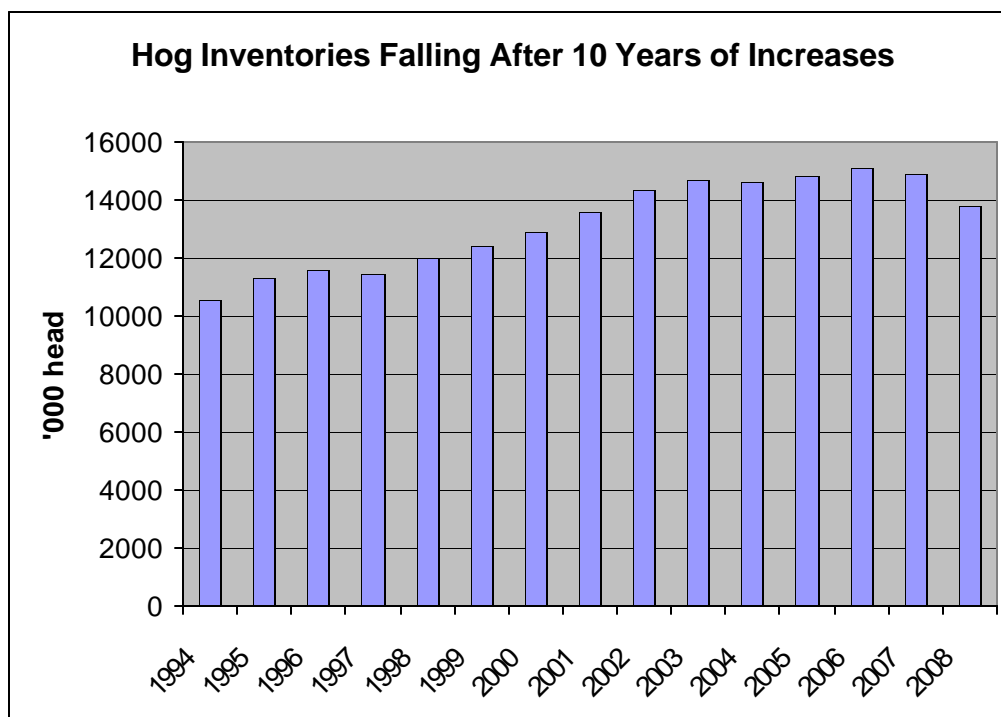
Summary

The cost-price squeeze in the Canadian hog industry that has worsened over the past two years has resulted in a record hog inventory drop and a dramatic loss in the number of hog farms in Canada. Weak market prices and high feed costs have resulted in low profit margins which are driving producers out of hog production. According to Statistics Canada, the Canadian hog industry continued its transition during the first half of 2008 and farmers reported 13.0 million hogs on their farms as of July 1, 2008, down 11.6% from one year ago. At the same time, the agency reported that nearly 20% of hog farmers had left the industry in the past year alone, or about 2,000 producers. Fewer hogs on Canadian farms will result in lower exports of live hogs to the United States. Post estimates that Canadian live hog exports to the United States will fall more than 10% during 2008 and reach about 9.0 million head, almost 1.0 million head below last year's level. The continuing decline in the Canadian swine inventory into 2009 is expected to reduce total live hog exports to the United States by about an additional 1.0 million head to approximately 8.0 million head next year.

Hog Inventory Decline; Exodus of Producers

In the late 1990's, Canada's hog industry began a long run of inventory increases reflecting strong overseas demand for Canadian pork, aided by a low valued Canadian dollar, and strong U.S. demand for live swine and pork from Canada. The developments drove Canadian hog producers into an extended expansion phase that lasted ten years. However, by early 2006, an unprecedented rise in the Canadian dollar, linked to Canada's strong position in commodity and resource markets (i.e., energy) hampered the competitiveness of Canadian pork exports in world markets. As a result, hog market prices were under pressure as pork packers reacted to the realities of the higher Canadian dollar. In addition, increasing U.S. hog inventories dampened U.S. demand for Canadian pork. By 2007, rising feed costs, related to the increased demand for corn for biofuels in North America and the increasing international demand for feed grains exacerbated declining market prices for slaughter hogs. Canadian hog industry leaders claimed it was the worst financial crisis the industry had witnessed.

According to Statistics Canada, Canadian hog farmers reported 13.0 million hogs on their farms as of July 1, 2008, down 11.6% from one year ago. At the same time, the agency reported that nearly 20% of hog farmers had left the industry in the past year alone.



Supply and Distribution: Hogs and Pork

HOGS; Canada, Supply & Distribution			
Units: '000 head			
NOT OFFICIAL USDA DATA			
	<u>2007</u>	<u>2008</u>	<u>2009</u>
		<u>forecast</u>	<u>projection</u>
Total Beginning Stocks	14,907	13,810	12,500
Sow Beginning Stocks (ref.)	1,546	1,495	1,400
Production (Pig Crop)	31,832	30,000	29,000
Other Imports	2	1	1
Total Imports	2	1	1
Total Supply	46,741	43,811	41,501
Other Exports	10,032	9,000	8,000
Total Exports	10,032	9,000	8,000
Total Slaughter	21,266	20,700	19,800
Loss	1,633	1,611	1,601
Ending Inventories	13,810	12,500	12,100
Total Distribution	46,741	43,811	41,501

PORK; Canada, Supply & Distribution			
Units: '000 MT			
NOT OFFICIAL USDA DATA			
	<u>2007</u>	<u>2008</u>	<u>2009</u>
		<u>forecast</u>	<u>projection</u>
Slaughter ('000 hd)	21,266	20,700	19,800
Beginning Stocks	48	57	60
Production	1,894	1,845	1,770
Other Imports	171	215	230
Total Imports	171	215	230
Total Supply	2,113	2,117	2,060
Other Exports	1,033	1,075	1,080
Total Exports	1,033	1,075	1,080
Dom. Consumption	1,023	982	940
Total Dom Consump	1,023	982	940
Ending Stocks	57	60	40
Total Distribution	2,113	2,117	2,060

Consumption

Per Capita Consumption

According to Statistics Canada, per capita pork consumption climbed to 24.68 kg, up more than 5% from the year earlier level but well below the record level of 30.09 kg during 1999. Among meats consumed in Canada, pork is the only meat to have registered a significant decline in per capita consumption during the past ten years. Some of the factors behind declining pork consumption during that period include 1) Strong retail prices during a period when BSE-related issues boosted Canadian beef supplies, 2) Consumer perception that the preparation of pork based meals at home is lengthy compared to other meats and; 3) pork's inability to capitalize on foodservice market gains shared by other meats and fish. For 2008, reduced domestic supplies of pork are forecast and per capita pork consumption may decline following an [outbreak of listeria monocytogenes](#) on a national level in August 2008 that is expected to, at least temporarily, adversely impact the retail and institutional market for all deli-meats, many of which are manufactured from pork.

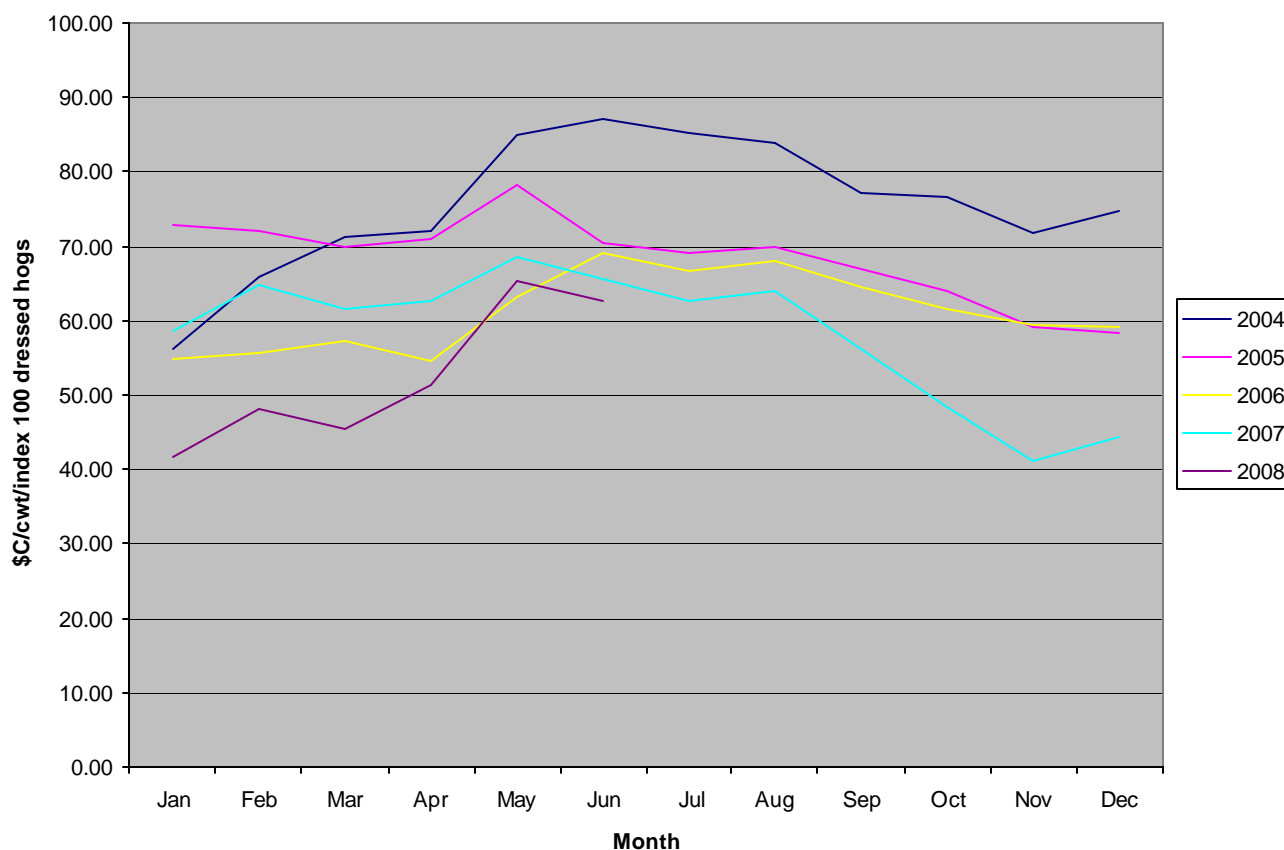
Canadian Per Capita Pork Consumption								
Units: kilograms (carcass weight basis)								
1999	2000	2001	2002	2003	2004	2005	2006	2007
30.09	28.69	28.94	27.83	25.07	26.6	22.98	23.33	24.68
Source: Statistics Canada								

Hog Market Prices

The table below illustrates the extent of the hog market price collapse during the last half of 2007 that led to severe financial losses and the decision by one out of every five Canadian hog farmers to exit the industry. The market price decline coincided with rapidly rising input costs for feed and energy during the same period. Prospects for higher U.S. pork supplies in the last half of 2008 are expected to exert further downward pressure on Canadian hog prices as the year progresses.

Manitoba Slaughter Hog Prices													
monthly averages													
\$C/cwt/index 100 dressed hogs													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	56.25	65.77	71.21	72.12	84.82	87.09	85.28	83.91	77.11	76.66	71.67	74.84	75.75
2005	72.89	71.96	69.84	70.94	78.23	70.45	68.99	69.98	66.88	63.98	59.21	58.29	68.47
2006	54.83	55.62	57.38	54.64	63.24	69.03	66.78	68.00	64.58	61.58	59.40	59.04	61.18
2007	58.55	64.83	61.52	62.67	68.64	65.63	62.75	63.92	56.10	48.35	41.00	44.27	58.18
2008	41.70	48.02	45.56	51.40	65.36	62.51							

Manitoba Slaughter Hog Prices
monthly averages



Trade

Pork Imports

Total Canadian pork imports in 2007 reached 170,962 MT (CWE), almost 18% above the year earlier level of 145,264 MT. More than 96% of Canadian pork imports are from the United States. Minor suppliers include Chile, Italy and Denmark.

U.S. Pork Sales to Canada Surge

Continuing their recent trend, U.S. pork sales to Canada soared 27% during the first six months of 2008 to reach 88,575 MT (CWE) double their rate of five years earlier. Canadian pork imports have increased in recent years reflecting the appreciation of the Canadian dollar and demand for U.S. fresh or chilled pork cuts, including back ribs and for U.S. prepared pork including pre-packaged sausages. More than 80% of pork imported from the United States is destined for Ontario and British Columbia. For 2009, demand for U.S. pork in Canada is expected to increase moderately reflecting the outlook for lower Canadian pork production and prospects for a relatively strong Canadian dollar.

Canada: Pork Imports						
MT - carcass weight basis						
				Jan.- June		
	2005	2006	2007	2007	2008	% change
			revised			08/07
World	139,443	145,264	170,962	71,463	89,977	26%
United States	129,816	137,302	164,461	69,848	88,575	27%
Chile	1,027	2,991	2,197	1,122	742	-34%
Netherlands	140	65	1,705	0	-	-100%
Denmark	6,814	3,493	1,272	-	24	-
Italy	560	670	627	314	492	57%
All Others	1,087	743	700	179	145	-19%
Source: derived from World Trade Atlas						

Pork Exports

Canadian pork exports during the first half of 2008 rose 4% above the corresponding period one year earlier on the strength of increased exports to Hong Kong, the Philippines, Russia, Taiwan and other smaller markets. Canadian pork exports to the United States fell 21% in the January-June period of 2008 reflecting plentiful U.S. supplies and the relatively high value of the Canadian dollar. For 2009, continued weak U.S. demand for imported pork will pressure Canadian pork exporters to increase their offshore sales in order to maintain total exports at the 2008 level.

USDA's interim final rule for Mandatory Country of Origin Labeling, is scheduled to come into effect on September 30, 2008. Similar to Canada's beef industry, the Canadian pork industry's initial reaction is that the flexibility of the COOL label categories may make the measure less onerous than initially perceived. Martin Rice, Executive Director of the Canadian Pork Council recently said, "As a result of changes made to the U.S. farm bill this year the record keeping requirements are much less onerous than what would have been the case under the 2002 farm bill. And there certainly is much more accommodation of existing market chains or value chains." In addition, recent reports that a coalition of U.S. livestock industry organizations has developed a unified approach to COOL compliance has encouraged Canada's livestock industries. The media recently reported that U.S. meat industry groups met and agreed on universal language (on the documents required) to move livestock origin claims along the ownership chain in order to ensure that the meat covered by COOL is accurately labeled at the retail level.

Canada: Pork Exports						
MT - carcass weight basis						
				Jan.- June		
	2005	2006	2007	2007	2008	% change
						08/07
The World	1,083,652	1,080,642	1,032,637	521,348	541,232	4%
United States	477,899	448,523	432,825	224,592	177,012	-21%
Japan	304,063	244,992	250,968	134,211	128,776	-4%
Russia	25,499	83,113	86,178	32,183	40,541	26%
South Korea	57,680	74,475	66,724	34,043	33,967	0%
Australia	44,304	48,365	52,434	26,839	22,070	-18%
Mexico	45,565	37,760	37,226	18,880	14,511	-23%
China	18,045	20,631	22,849	10,137	15,053	49%
New Zealand	8,688	10,873	11,286	6,051	4,165	-31%
Philippines	10,105	7,769	11,284	4,295	19,056	344%
South Africa	4,096	9,460	10,732	6,417	3,697	-42%
Hong Kong	4,015	4,755	8,799	3,306	39,435	1093%
Taiwan	12,262	6,578	6,307	2,732	8,825	223%
All Others	71,431	83,350	35,026	17,661	34,125	93%
Source: derived from World Trade Atlas						

Policy

GOC Response to Hog Industry Financial Crisis

In March 2008, the government of Canada responded to calls from the livestock industry for financial assistance by amending the *Agricultural Marketing Products Act* (AMPA) to give Canadian producers better access to cash advances. Changes to the Advance Payments Program (APP) through the amendments to AMPA now provide Canadian producers access up to C\$400,000 (up to C\$100,000 interest-free) in repayable advances. Cash advances under the APP are designed help producers with cash flow by giving them the flexibility to keep their products and sell them when market conditions are more favorable. According to Agriculture and Agri-Food Canada (AAFC), producers will potentially have access to C\$3.3 billion in repayable advances if all livestock producers take full advantage of the program. AAFC also announced a new C\$50 million initiative with the Canadian Pork Council to deliver a sow cull program designed to will help restructure the industry to bring it more in line with market realities including a goal to reduce the sow herd by 10 percent (see [CA8008](#)). According to the Canadian Pork Council, approximately 7% of the swine breeding herd had been culled under the program as of mid-July 2008.

Note: Reports on other policy and economic developments relating to Canada's hog industry may be found in the list below.

List of Publicly Available Post Reports in 2008 Pertaining to Livestock Industry Developments

Report Number	Topics	Date
CA8001	Live Cattle Imports from Canada Climb Higher in 2007; 2008 Starts Off Bleak for Hog Producers	01/04/2008
CA8002	COOL; Anxiety Pervades Livestock Industry; Ontario Directs C\$14 Million for Feed Ban Adaptation	1/11/2008
CA8004	Canada Looking to Reopen Mexican Dairy Cattle Market	02/01/2008
CA8008	Canada Confirms 12 th Case of BSE; Canada Improves Programs for Livestock Producers; Sow Cull Program Announced	02/29/2008
CA8009	Semi-Annual Livestock Report	02/29/2008
CA8012	Texas Says No to Canadian Cattle Destined for Mexico	02/29/2008
CA8015	Double Shift of Value-Added Cut Operations at Brandon Pork Plant; Cattlemen Elect New President; Call for Uniformity with OIE	03/21/2008
CA8018	Ontario Cull Cow Plant to File for Bankruptcy Citing Competitive Disadvantage with U.S. Plants	04/04/2008
CA8019	Cattlemen See Need for C\$50 Million to Help Meet Feed Ban Rules; Manitoba Hog Producers to Look at Legality of U.S. COOL law under NAFTA; Manitoba Proposes Regional Hog Moratoriums to be Enshrined in Legislation	04/11/2008
CA8023	Federal Hog-Cull Program Gains Attention in Global Food Shortage Environment; Hog Industry Hopeful China Will Approve Feed Additive; 11 th Case of BSE was Uncommon Strain	04/18/2008
CA8025	Better Prospects for Canadian Beef to South Korea After U.S. Market Access Agreement	4/25/2008
CA8027	Canadian Hog Industry in Transition	05/02/2008

CA8031	Canada Sends Delegation to Russia in Effort to Resume Pork Exports; Manitoba Hog Producers Launch Public Campaign on Expansion Ban; Bovine Tuberculosis Confirmed in Manitoba	05/08/2008
CA8034	BSE Five Years Later; Beef Exports 30% Lower; What Now for Canadian Beef Exports?	05/21/2008
CA8038	Canada to Resume Pork Exports to Russia; Canadian Cattlemen Lobby GOC to Harmonize Feed Ban Rules with the United States	06/03/2008
CA8039	Alberta Unveils Long-Term Livestock Strategy	06/11/2008
CA8042	Canada Provides C\$1.4 Million to Help Pork Industry Promote Home-Grown Product at Retail	06/17/2008
CA8046	Canada Confirms 13 th Case of BSE	06/26/2008
CA8049	Tyson to Sell Canadian Beef Operation to XL Foods	07/11/2008
CA8052	Maple Leaf to Sell Its Burlington Ontario Pork Processing Operations	07/24/2008
CA8053	Canada Expresses Disappointment with COOL	07/31/2008
CA8061	Canada Confirms 14 th Case of BSE; Canadian Livestock Inventories Continue to Decline; Canada's largest Pork Processor Voluntarily Recalls Deli-Meat Products Over Food Safety Concerns	08/22/2008
CA8064	Listeria Outbreak Continues to Capture National attention; Mexico Bans Canadian Breeding Cattle; Crop Receipts Larger Than for Livestock for the First Time in More Than a Decade	08/29/2008